

AT&T to workout financial arrangements to protect its own revenue streams over a longer period. Mr. Mauriello stated that revenue sharing is a marketing package that was never accepted by any of its customers. The concept was for AT&T to become a partner in the revenue streams provided by its equipment. Essentially, AT&T offered its hardware and software free, with the proviso that it share in the revenues resulting from that equipment and software. Mr. Mauriello indicated that risk sharing was a large part of this offering, but he reiterated that nobody accepted it.

Q7. The last paragraph of Topor's February 8, 1990 letter refers to Joe Mauriello and discusses Mr. Boren's recent letters and previous letters on the availability and cost of 5 ESS special features. Are you familiar with any letters prior to November 1989 from Mr. Boren to AT&T concerning the availability of five ESS special features or with any other correspondence?

A7. Mr. Mauriello was not familiar with any previous letters. Mr. Mauriello stated in this response that the price restructure had to occur, not only because of BellSouth but because of the confusion in the previous pricing plan.

* * * * *

We next moved on to the April 1990 AT&T presentation which Mr. Majoros and Mr. Craig had seen in the offices of BellSouth. Mr. Craig did not have a copy of that document because it was deemed proprietary by BellSouth, however, Mr. Mauriello was requested to obtain a copy for the purposes of this interview.

Q8. Were the bullets identified as "BellSouth Issues" in the April 1990 AT&T presentation first raised by BellSouth or AT&T?

A8. Mr. Mauriello indicated that typically AT&T is presumptuous and creates issues. He stated that AT&T created the issues indicated as BellSouth issues in the presentation. He stated that it was a marketing ploy.

Q9. Specifically, why is too much cost going to ESSX customers?

A9. Mr. Mauriello stated that this assumption was based upon feedback from end-users (Customers of LEC's???) The end-users could not buy the telephone companies' services (Centrex). Mr. Mauriello stated that BellSouth never said anything to him about profit regulation or FCC expensing rules. We confirmed with Mr. Mauriello that the correspondence relating to this issue started with BellSouth.

Q10. The issues were important to BellSouth as a regulated company, how did AT&T restructure its prices to accommodate these concerns.

A10. Mr. Mauriello responded as follows:

1) The intent and result of the restructure was as explained in Item no. 5 of Mr. Topor's February 8, 1990 letter.

2) The intent was to realign cost to what that they were worth.

3) It was not the intent to do market based pricing. Also Mr. Mauriello indicated that Mr. Ward left the company as a disgruntled employee and went to a competitor.

Q11. How did AT&T make up the difference resulting from the price restructure?

A11. Mr. Mauriello answered there was no net difference.

B page 11
Dr
2/10/77
Q12. Page 23 of the presentation that Don Craig and Mike Majoros saw at BellSouth contained an example which indicated that the price restructure resulted in an increase in the average cost of a BRCS1 Universal line and a decrease in the average cost of an ESSX line, however overall cost went down. Is this a fair representation of the price restructure?

A12. Mr. Mauriello stated that he did not have these examples in his copy of the presentation, therefore he could not respond to the examples. Mr. Mauriello stated that Universal BRCS is residential. He also indicated in the restructure the original four packages were combined. Mr. Mauriello stated that he would not be able to justify shifting cost between services. Mr. Mauriello asked us for copies of the examples from the presentation we had seen in the offices of BellSouth. Mr. Craig indicated that he would provide or attempt to have BellSouth provide those copies.

* * * * *

The next document we discussed with Mr. Mauriello was his June 12, 1990 letter to Mr. C.S. Boran.

Q13. Does your letter fairly represent the price restructure?

A13. Mr. Mauriello responded yes.

Q14. Are the restructured prices applicable to all customers or just BellSouth?

A14. Mr. Mauriello responded yes. Restructured prices are applicable to all customers.

Q15. Please explain the reference to the Realignment of 3 ESS switch ERCS offerings in your letter.

A15. Mr. Mauriello explained the four ERCS packages prior to the restructure and the three ERCS packages subsequent to the restructure. Original: Four ERCS offerings: I, II, III and IV. New: UNIVERSAL: All of ERCS I and some of ERCS II. CENTREX (ESSX): Balance of ERCS II. Mr. Mauriello stated that the customer ordering patterns referred to in his letter were equivalent to national patterns. AT&T apparently has a national database and tracks every office for hardware and software for each office and customer ordering patterns.

Q16. Is the price restructure reflected in Contract No. PR6700B?

A16. Mr. Mauriello was not certain but believes it to be true.

Q17. Is there anything else we should know or understand about the price restructure?

A17. Mr. Mauriello wanted to make it clear that the major emphasis was to make it simpler, not just here in the South but all over. He believes that AT&T answered a lot of BellSouth's concerns, but not all of them.



Gene V. Coker
General Attorney

Room 4044
1200 Peachtree Street, N.E.
Atlanta, Georgia 30308
404 510-5700

March 10, 1994.

Mr. Don Craig
Georgia Public Service Commission
244 Washington Street
Atlanta, Georgia 30334

Dear Don:

Attached is a revised version of your notes regarding the December 21, 1993, interview with Joe Mauriello. Mr. Mauriello has incorporated his comments in this revision.

I am still trying to establish a mutually satisfactory time for Mr. Mauriello to answer your follow up questions. It may be easier for you to contact him direct at 573-7000. I will also continue to try to set something up with Mr. Mauriello.

Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gene V. Coker".

Attachment

cc: Joseph Mauriello
Dennis Pines

- 5) Did this regrouping and repricing result in the average cost per line increasing for basic residential and basic business customers, while the average per line cost for the competitive ESSX customers decrease?
- 6) Was there an overall decrease in initial and growth software cost?
- 7) Did AT&T remain whole by increasing the costs for material capitalized?

Below is a summary of the questions that were asked of Mr. Mauriello and his responses thereto.

Q1. Did, as a result of the AT&T price restructure, total hardware prices increase (for a typical fully equipped switch module) while software prices decreased? If yes, what? where? demonstrated in the April 1990 presentation and what equipment prices went up?

A1. Mr. Mauriello responded yes. Mr. Mauriello stated that this was a national price roll-out and that it had nothing to do specifically with BellSouth. Mr. Mauriello indicated that a national price roll-out was necessary to change the way AT&T was doing business, but that no pressure from any single customer was exerted upon AT&T. Mr. Mauriello discussed the fact that prior to this price restructure, there were two separate product units with the AT&T switching business, one for the 1AESS switch and another unit for the 5ESS switch. He indicated that they were going

about their business separately and pricing similar products differently. The market place impact needed to be addressed.

Q2. Did the price restructure result in a change in the mix of capital and expense dollar prices for a SESS switch with expense decreasing and capital increasing, but the average bottom line switch system price remain consistent with the previous price plan?

A2. Mr. Mauriello stated yes. There was a change in the mix, but the total price did not go up or down. (He emphasized that was the intent and that was the result of the price restructure in response to Question 10.) Mr. Mauriello indicated that this was a revenue neutral price restructure. Mr. Mauriello was asked the meanings of the words "capital" and "expense" from his viewpoint. He stated that capital was equivalent to hardware and operating software in the SESS switch and that expense was equivalent to all other software for the SESS switch. Finally, Mr. Mauriello indicated that what AT&T was after was to be paid for its switch no matter how the payment is split between capital or expense.

Q3. Is it AT&T's policy to price SESS features based upon their development cost and value added?

A3. Mr. Mauriello stated yes. He indicated that AT&T would not price any features below cost because he believes that is illegal.

Q4. How could it be that the restructured prices were

based upon cost after the restructure if they were based upon cost prior to the restructure and the restructure was in fact revenue neutral?

A4. Mr. Mauriello indicated that AT&T always covered its costs in aggregate. He stated that prior to the restructure, AT&T managed its business on a product management group basis. For switching, there were two independent development groups: hardware and software. Each group had unique cost structure and the development groups are unified as business units.

Q5. Why was this done and how does it relate to cost?

A5. The restructure was an attempt to more closely align SESS switch pricing with the marketplace, as well as simplifying the price plan for our customers.

Q6. Could you explain the concept of Revenue Sharing as used in Mr. Topor's February 8, 1990 letter?

A6. Mr. Mauriello responded again, that this price restructure was a national offering and that AT&T had discussed revenue sharing with all of its customers. It was the desire of AT&T to workout financial arrangements

to protect its own revenue streams over a longer period. Mr. Mauriello stated that revenue sharing is a marketing concept that was never accepted by any of his customers. The concept was for AT&T to become a partner in the revenue streams provided by its equipment. Essentially, AT&T offered its hardware and software at minimal initial price with the provision that it share in the revenues resulting from that equipment and software. Mr. Mauriello indicated that risk sharing was a large part of this offering, but he reiterated that none accepted it.

Q7. The last paragraph of Topor's February 8, 1990 letter refers to Joe Mauriello and discusses Mr. Boren's recent letters and previous letters on the availability and cost of SESS special features. Are you familiar with any letters prior to November, 1989 from Mr. Boren to AT&T concerning the availability of SESS special features or with any other correspondence?

A7. Mr. Mauriello was not familiar with any previous letters. Mr. Mauriello stated in this response that the price restructure had to occur, not only because of AT&T's need to address the marketplace, but because of the confusion in the previous pricing plan.

* * * * *

We next moved on to the April, 1990 AT&T presentation which Mr. Mjoros and Mr. Craig had seen in the offices of BellSouth. Mr. Craig did not have a copy of that document because it was

deemed proprietary by BellSouth;; however, Mr Mauriello was requested to obtain a copy for the purposes of this interview.

Q8. Were the bullets identified as "BellSouth Issues" in the April, 1990 AT&T presentation first raised by BellSouth or AT&T?

A8. Mr. Mauriello indicated that typically AT&T attempts to identify customers concerns and needs as a normal course of business. He stated that it was typical marketing activity.

Q9. Specifically, why is too much cost going to ESSX customers?

A9. ESSX pricing is a function of BellSouth, not AT&T. AT&T sells its products to its customers, not end users.

Q10. The issues were important to BellSouth as a regulated company, how did AT&T restructure its prices to accommodate these concerns?

A10. Mr. Mauriello responded as follows:

- 1) The intent was to realign the offerings to what customers were purchasing & wanted.
- 2) It was our intent to do market based pricing, basing price on cost and value to the customer. Also Mr. Mauriello indicated that Mr. Ward left the company and went to a competitor.

Q11. How did AT&T make up the difference resulting from the price restructure?

A11. Mr. Mauriello answered there was no net difference

Q12. Page 23 of the presentation that Don Craig and Mike Mojors saw at BellSouth contained an example which indicated that the price restructure resulted in an increase in the average cost of a BRCS1 Universal line and a decrease in the average cost of an ESSX line, however, overall cost went down. Is this a fair representation of the price restructure?

A12. Mr. Mauriello stated that he did not have these examples in his copy of the presentation, therefore, he could not respond to the examples. Mr. Mauriello stated that Universal BRCS is intended to serve residential customers. He also indicated in the restructure the original four packages were combined. Mr. Mauriello asked us for copies of the examples from the presentation we had seen in the offices of BellSouth. Mr. Craig indicated that he would provide or attempt to have BellSouth provide these copies.

* * * *

The next document we discussed with Mr. Mauriello was his June 12, 1990 letter to Mr. C. S. Boren.

Q13. Does your letter fairly represent the price restructure?

A13. Mr. Mauriello responded yes

Q14. Are the restructured prices applicable to all customers or just BellSouth?

A14. Mr. Mauriello responded yes. Restructured prices applicable to all customers.

Q15. Please explain the reference to the Realignment of SESS switch BRCS offerings in your letter.

A15. Mr. Mauriello explained the four BRCS packages prior to the restructure and the three BRCS packages subsequent to the restructure. Original: Four BRCS offerings: I, II, III and IV. New: UNIVERSAL: All of BRCS I and some of BRCS II. CENTREX (ESSX): Balance of BRCS II and part of BRCS II: The Balance of BRCS III and BRCS IV. Mr. Mauriello stated that the customer ordering patterns referred to in his letter were equivalent to national patterns. AT&T apparently has a national database and tracks every office for hardware and software for each office and customer ordering patterns.

Q16. Is the price restructure reflected in Contract No. PR6700B?

A16. Mr. Mauriello was not certain, but believes it to be true.

Q17. Is there anything else we should know or understand about the price restructure?

A17. Mr. Mauriello wanted to make it clear that the

major emphasis was to make SESS pricing simpler, not just here in the South, but all over. It was also our intent to more closely align pricing with the marketplace to address the needs of all of our customers.

COMMISSIONERS:

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Georgia Public Service Commission

244 WASHINGTON STREET, SW
ATLANTA, GEORGIA 30334-5701

(404) 656-4001 OR (800) 252-8213

February 21, 1994

Mr. Gene Coker
AT&T
1200 Peachtree Street
Room 4044
Atlanta, GA 30309

Gene,

Thanks for your phone call today. Enclosed are ten additional questions for Mr. Mauriello. These questions relate to the 40 page AT&T presentation reviewed by us at Southern Bell. Hopefully a copy of the same presentation is in Mr. Mauriello's hands.

I understand your secretary will transmit the questions to Mr. Mauriello this week and you will call me on Friday.

Sincerely,

Don Craig

DC/jmh
Enclosures
cc: T. Hobbs w/enclosures

Additional Questions for Mr. Mauriello

See Page 7, Question 12 of the Majors and Craig file memorandum regarding the December 21, 1993 interview with Mr. Joseph Mauriello. Mr. Mauriello was unable to answer certain questions because his copy of AT&T's April 1990 presentation does not have certain pages.

Michelle Young (Southern Bell Telephone) sent a copy of the AT&T presentation in its entirety to AT&T Attorney Gene Coker. The copy sent was the work copy being used by Mr. Craig and Mr. Majors in their review of this area. It contained several handwritten notes of either Majors or Craig and each page was numbered in the lower right hand corner. There were 40 pages in total.

1. Page 11 of AT&T's presentation is titled "Price Restructure - BRCS Savings." It contains an example which demonstrates that the Price Restructure resulted in an increase in the average cost of a BRCS I - Universal Line. This is shown by comparing the amount under "Current Pricing - BRCS I - \$ [REDACTED]" to "Restructure - BRCS Universal - \$ [REDACTED]". The increase is \$ [REDACTED].
2. BRCS I and BRCS Universal are equivalent to Residential - therefore the example demonstrates an increase to residential software?
3. Page 11 of AT&T example also shows a decrease to ESSX or CENTREX Software. This is demonstrated by comparing the "current pricing cost for BRCS II and BRCS III" which total \$ [REDACTED] (\$ [REDACTED] and \$ [REDACTED]) to the "Restructured Price for BRCS ESSX" of \$ [REDACTED]. The ESSX decrease is \$ [REDACTED].
4. Finally Page 11 shows that while overall BRCS cost went down from \$ [REDACTED] to \$ [REDACTED] the cost for residential went up by \$ [REDACTED]. Was this the intent and result of the price restructure?
5. Turn to Page 33 of AT&T's presentation - titled "Price Restructure Study - GDX LU Price Comparison." Does this demonstrate that the price of a Line Card went up?
6. Turn to Page 34, titled GDX Line Unit. Does this demonstrate that the price of a LU frame went down but the price of a Line Card went up?
7. Are Line Units and Line Cards considered to be non traffic sensitive costs?
8. Turn to Page 35 of AT&T's presentation titled "Hardware and Software prices." Is the first benefit of the price restructure that it "Reduces Impact of traffic sensitivity on growth plan"?
9. Does that mean that the price restructure shifted traffic sensitive growth costs to non traffic sensitive costs?
10. Turn to Page 39 of AT&T's presentation - titled "RTU Comparison." It shows software costs dropping from \$ [REDACTED] to \$ [REDACTED] to \$ [REDACTED] for 5E7. If the price restructure was revenue neutral, were these decreases picked up by non tariff sensitive costs e.g. Line Units and Line Cards?

38466 Southern Bell Center
675 West Peachtree Street, NE
Atlanta, Georgia 30375

April 22, 1994

Mike Majors
Vice President
Snavely & King
1220 L. St. N.W.
Washington, D.C. 20005

VIA FACSIMILE

Re: SBT's Response to the 25th Data Request-Set

Dear Mike:

At Don Craig's request, attached are the Company's non-proprietary responses to items #136 and 137. (As you will recall, our initial responses, including the attachments, are considered proprietary and were hand-delivered for your review during your last visit to Company premises.)

All audit-related proprietary information will be available for review in room 531 at SBC until April 30. After this date, proprietary responses, including those related to items 136 and 137, can be made available for your review at a mutually agreeable time and place.

As always, thank you for your cooperation.


Michele Young
404-529-8512

BELL SOUTH
TELECOMMUNICATIONS

38466 Southern Bell Center
675 West Peachtree Street NE
Atlanta, Georgia 30375

April 22, 1994

Don Craig
Audit Manager
Georgia Public Service Commission
244 Washington St. SW
Atlanta, GA 30334

VIA FACSIMILE

Re: SBT's Response to the 25th Data Request-Set

Dear Mike:

At your request, attached are Southern Bell's non-proprietary responses to items #136 and 137. (As you will recall, our initial responses, including the attachments, are considered proprietary and were hand-delivered for your review during your last visit to Company premises.)

All audit-related proprietary information will be available for review in room 531 at SEC until April 30. After this date, proprietary responses, including those related to items 136 and 137, can be made available for your review at a mutually agreeable time and place.

As always, thank you for your cooperation.

Michale

Michale Young
404-529-8512

Southern Bell Telephone & Telegraph Co.
Georgia PSC Audit Request
Item No. 136
25th Data Request (SUPPLEMENT)
April 22, 1994
Page 1 of 1

REQUEST: The subject of this request is the 1991 AT&T price restructure.

a) What impact did the price restructure have upon line card prices?

RESPONSE: The Company's response to this item is considered proprietary but will be made available for review, at a mutually agreeable time and place, pursuant to the terms and conditions of the audit protective agreement between and among the parties.

This information constitutes financial data that reflects vendor-specific pricing negotiated by Southern Bell. Public disclosure of this information would impair Southern Bell's ability to contract for goods and/or services on favorable terms. In addition, AT&T may independently assert that public disclosure of this information could impair the ability of AT&T, which is not a party to this audit nor its protective agreement, to fairly compete in the marketplace for goods and services it provides to other potential purchasers.

INFORMATION PROVIDED BY: Steve Manion
Project Manager
675 W. Peachtree St., N.E.
Atlanta, GA 30378

Southern Bell Telephone & Telegraph Co.
Georgia PSC Audit Request
Item No. 137
25th Data Request (SUPPLEMENT)
Page 1 of 2

REQUEST:

The subject of this data request is the cost of line cards as they relate to the cost of a basic residence and basic business telephone lines.

- a) Please confirm that the Company has prepared, from time to time, surrogate cost studies to estimate the cost of a basic residence and basic business line.
- b) Please confirm that the cost studies discussed in a) above, reflect the Company's assumption that there are three cost causative factors which drive the cost of a basic business and residence line: 1) local loop, 2) switch usage, and 3) non-traffic sensitive cost.
- c) Please provide a copy of at least one surrogate cost study prepared by the Company which clearly shows the three cost causers discussed in b) above. Also, please indicate who requested the initial study.
- d) Regarding the surrogate cost study requested in c) above, please explain and demonstrate precisely how the 1991 AT&T price restructuring would have impacted the cost study.

RESPONSE:

The information being requested is proprietary. However, it will be made available for review, on Company premises at a mutually agreeable time and place.

This information constitutes financial data that reflects vendor-specific pricing negotiated by Southern Bell. Public disclosure of this information could impair Southern Bell's ability to contract for goods and/or services on favorable terms. In addition, AT&T may independently assert that public disclosure of this information could also affect the ability of AT&T to compete in the marketplace for the sale of its goods and services to other potential purchasers.

Further, this information reflects measures of Southern Bell's costs of providing certain competitive or potentially competitive services. If disclosed publicly, such information could provide a competitive advantage to Southern Bell's competitors and, consequently, impair Southern Bell's ability to market its goods and services.

INFORMATION PROVIDED BY: Steve Manion
Project Manager
675 W. Peachtree St., N.E.
Atlanta, GA 30378

AUG-25-1994 10:21

GA PUBLIC SERV COMMISSION

404 656 0900 P.02

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TERRI M. LYNDALE
EXECUTIVE SECRETARY

Georgia Public Service Commission

244 WASHINGTON STREET, SW
ATLANTA, GEORGIA 30334-5701

(404)656-4501 OR 1(800)232-5813

TRANSMITTAL NO. 32

May 17, 1994
DATE

5-19-94

Mr. Thomas L. Hamby
Assistant Vice President
Southern Bell
125 Perimeter Center West, Suite 397
Atlanta, Georgia 30345

J. Maudieau:
For your COMMENT
No. 24 (2 PAGES) IS ATTACHED.
Don Craig
656-4549

Dear Mr. Hamby:

Enclosed are Audit Finding Worksheets for audit finding(s) Number 7-1 thru 7-4, 20, 21-1 thru 21-5, 22, 23, 24, 25, 27, 29, 32, 33, 34, and 35. The worksheets include the findings, causes of the problem and the auditor's recommendation for corrective action. Space is provided for auditee comments. Write in this area or on attached pages, the auditee's reaction to the findings, causes and recommended corrective action. Please have each person responding to the finding(s) sign the form or page(s) containing their statement.

I would appreciate a response to the findings no later than four weeks from the date of this transmittal. Please provide two complete sets to me in Room 267 at the above address.

After a review of the auditees responses, a final opinion regarding the audit findings will be formed.

Please sign and date the attached acknowledgement statement and return to me.

If you have any questions about this transmittal, contact me at 656-4549.

Yours very truly,

Don Craig

Don Craig
Audit Manager

ATTACHMENT(S)
DC:DP

**AT&T**
Network Systems

Dennis S. Pines
Senior Attorney

Western Electric® products
2800 Warrville Road
Lisle, IL 60532-1094
708 224-2880
FAX 708 224-4477

June 14, 1994

Mr. Don Craig
Audit Manager
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, GA 30334-5701

Re: Transmittal No. 32

Dear Mr. Craig:

AT&T is in receipt of your Audit Finding Worksheet No. 24, which suggests that AT&T's 1990 restructure of its hardware and software prices for AT&T's 5ESS® Switch System was specifically directed to concerns expressed by BellSouth Telecommunications Corporation. This is directly contrary to the information provided to you by AT&T's Switching Systems Business Unit.

Frankly, we are offended by the inference that BellSouth and AT&T were in collusion to restructure 5ESS Switch System prices to disadvantage consumers.

I am including an Affidavit from Richard F. Neri, Manager, Bids and Pricing, which states that the 1990 price restructure was national in scope and not directed to any single customer, including BellSouth Telecommunications Corporation. The same information was communicated to you repeatedly on at least three separate occasions which included several hours of interviews with representatives of AT&T Network Systems.

We believe that your Audit Finding No. 24 needs to be modified to eliminate the unsupported suggestion that the 1990 price restructure was "specifically directed to concerns expressed to AT&T Network Systems by BellSouth Services Property and Services Management" or any inferences that BellSouth and AT&T were in collusion to restructure prices to disadvantage consumers. The attached Affidavit establishes that any conclusions to the contrary based upon your interpretation of the correspondence and April 1990 presentation between BellSouth and AT&T are unfounded.



Mr. Don Craig
Page 2
June 14, 1994

Finally, any suggestion that AT&T implemented the 1990 price restructure for BellSouth is simply contrary to the established fact that the 1990 price restructure was implemented on a nationwide basis.

Very truly yours,



Dennis S. Pines

Enc.

cc: (w/enc.)
Chairman Robert Baker, Jr.
Comms. Mac Barber
Bob Durden
Robert Pafford
Robert Rowan

AFFIDAVIT

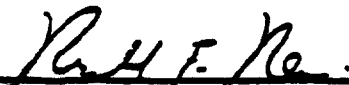
State of Illinois:

County of DuPage:

I, Richard F. Neri, first being duly cautioned and sworn, make this Affidavit from my own personal knowledge:

1. I was the Manager, Bids and Pricing for AT&T's SESS® Switch systems from 1988 through 1991 and in such capacity was responsible for implementing pricing decisions and pricing policy for the SESS Switch System.
2. The 1990 restructure of hardware and software prices for the SESS Switch System was implemented in response to competitive pressures in the market for switching systems and changing market conditions.
3. AT&T conducted market research and analysis to determine whether its pricing of hardware and software for the SESS Switch System needed to be modified. After analyzing this market research information, AT&T determined that it should restructure its hardware and software prices for the SESS Switch System.
4. The 1990 price restructure was implemented on a nationwide basis, equally affecting all of AT&T's SESS Switch System customers and was not implemented in response to any request by a single customer, including BellSouth Telecommunications Corporation.

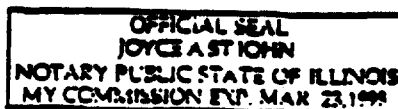
FURTHER AFFIANT SAYETH NAUGHT:

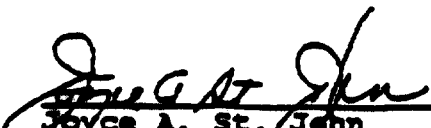

Richard F. Neri

State of Illinois:

County of DuPage:

Signed and sworn to before me on June 8, 1994 by
Richard F. Neri.




Joyce A. St. John
Notary Public

ANALYSIS OF BSSI CPE EQUITY & NOI
ASSIGNED TO GEORGIA
(\$000)

	1988	1989	1990	1991	TOTAL 1989-1991
A. TOTAL BSSI EQUITY (END OF YEAR, INC. BSP) (JWC-88)	93,846	199,484	179,421	188,385	577,286
<u>EQUITY:</u>					
B. BSSI EQUITY (AVERAGE EXCLUDING BSP) (JWC-88)	93,846	196,945	182,109	183,572	571,826
C. RATE BASE ADJUSTMENT TO GEORGIA (SURVEILLANCE REPORT)		19,328	20,531	20,080	59,941
D. % EQUITY TO GEORGIA (D=C/B)		9.86%	10.69%	10.94%	10.48%
<u>NET OPERATING INCOME (NOI)</u>					
E. TOTAL BSSI NOI (EXCLUDING BSP & REFUND) (P.3)		32,528	21,547	20,240	74,315
F. NOI ADJUSTMENT TO GEORGIA (SURVEILLANCE REPORT)		3,530	2,302	2,341	8,173
G. % NOI TO GEORGIA (G=F/E)		10.86%	10.68%	11.57%	11.00%
<u>EQUITY INCLUDED IN GEORGIA'S SURVEILLANCE REPORT'S RATE BASE ADJUSTMENT</u>					
H. BSSI RATE BASE ADJUSTMENT TO SURVEILLANCE REPORT (Line C)		19,328	20,531	20,080	59,941
I. CPE EQUITY INCLUDED IN RATE BASE ADJUSTMENT (PAGE 4, G * D)		5,731	6,545	6,875	19,151
<u>NOI INCLUDED IN GEORGIA'S SURVEILLANCE REPORT'S ADJUSTMENT</u>					
J. BSSI NOI (EXCLUDING BSP & REFUND) ADJUSTMENT IN SURVEILLANCE REPORT		3,530	2,302	2,341	8,173
K. CPE PORTION OF NOI ADJUSTMENT (P4.H * G)		479	199	151	829
<u>RETURN ON EQUITY</u>					
L. TOTAL GEORGIA BSSI ADJUSTED RETURN ON EQUITY (JH)		18.3%	11.2%	11.7%	13.6%
M. CPE GEORGIA BSSI RETURN ON EQUITY (K/I)		8.3%	3.0%	2.2%	4.3%
N. RETURN EXCLUDING CPE ((JH)/(H-I))		22.4%	15.0%	16.8%	18.0%

NOTE: THE GEORGIA RETURN ON EQUITY (ROE) RATIOS ON THIS PAGE ARE DIFFERENT THAN THE TOTAL BSSI ROE RATIOS ON PAGE 4 DUE TO THE REQUIREMENT TO ESTIMATE THE PORTION OF THE CPE OPERATIONS THAT WERE ALLOCATED TO GEORGIA. ALTHOUGH THE RATIOS ARE SLIGHTLY DIFFERENT, THE CONCLUSIONS ARE THE SAME. THE CPE OPERATION EARNED SIGNIFICANTLY LESS THAN NON-CPE OPERATIONS.